

MINUTES
AMENDED
Policemen's Pension and Trust Relief Fund
Thursday, March 13, 2008
9:00 a.m.

On Thursday, March 13, 2008, at 9:00 a.m. a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

PRESENT:	Bruce Moore	-Chairman
	Farris Hensley	-Secretary
	Sara Lenehan	-Treasurer
	Brad Furlow	-Member
	Lee Harrod	-Member
	Mike Lowery	-Member

ABSENT:	Donald McHughes	-Member
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Also present were Mr. Larry Middleton, Mr. Alex Jordan and Mr. Bo Brister of Stephens Capitol Management who are Financial Consultants for the Fund, Mr. John Peace of the Dover, Dixon Horne Law Firm who are Legal consultants for the Fund, Mr. Roger Smith who is a Government Relation Lobbyists for the Fund, Mr. Scott Massanelli of the City of Little Rock Finance Department, Treasure Section. Mrs. Kathy Lindsey who is the Administrative Technician for the Police Pension Fund, and Mr. Vern Lester who is a Retired Member of the fund.

Mr. Moore called the meeting to order at 9:05 a.m., certifying that a quorum of the Board was present, and that the Media was properly notified in a letter of March 4, 2008 to the Arkansas Democrat-Gazette.

Copies of the February minutes had previously been submitted to Board members. Following their review Mr. Furlow made a motion to approve them as submitted. Mr. Lowery seconded the motion and it passed unanimously.

Mr. Jordan, Mr. Middleton, and Mr. Brister of Stephens Capital Management gave a February 2008 financial report, and said that on February 29, 2008, the market value of the total Fund was \$60,897,362. This represents a decrease in the account balance of (\$491,465.80) since January 31, 2008. The component of this change was income of \$35,698.32. There were net contributions/withdrawals of \$667.39. The Funds overall market rate of return for the month of February 2008 was (0.73%), and (4.17%) year-to-date through February 29, 2008. On February 29, 2008, \$24,043,933.47 was allocated to DROP. Upon concluding this segment of the report, both Mr. Middleton and Mr. Jordan told the Board that they are continuing to monitor various markets, and expects increasing inflationary pressure, lower certificate of deposits (CD) rates, and continuing softening of the real estate markets. Mr. Middleton told the Board that it could be as late as the first quarter of 2009 before seeing significant improvement.

During the February meeting there was a presentation to the Board from Mr. Jeffrey Sangalis of Capital Point Partners (CPP). Following the presentation, the Board discussed increasing their funding

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allocation to CPP. At the current meeting Mr. Middleton *proposed for the Boards consideration to* increasing funding to CPP from \$1,500,000 to \$3,500,000. During discussion Mr. Middleton reminded the Board of a higher risk factor with the increased funding, however explained that the intent of the additional purchase with CPP is to increase the Funds income stream in an investment that is not correlated to other investments currently held in the Funds portfolio.

Following discussion, Mr. Furlow made a motion to increase the funding allocation to CPP from the current \$1,500,000 to a maximum of \$3,500,000. Mr. Harrod seconded the motion and it passed unanimously.

Board members discussed with Mr. Roger Smith, the Funds Government Relation Lobbyist, various issues of interest for the upcoming legislative secession. Specific issues discussed included identifying a portion of funding from the insurance premium tax allocation that could be used to financially assist Police Pension Funds who wish to voluntarily seek a three percent (3%) Compound Cost of Living (COLA) merger with the Local Police and Fire Retirement System (LOPFI), capture a portion of assessed civil penalties, and probation fees that would be consistent with the ten percent (10%) currently received from fines and forfeitures, annual ethics reporting for Municipal Police Pension Fund Board Members to be consistent with State Ethics guidelines, language to specifically allow for stored property to be auctioned via internet sales, allow renewal of drivers license and automobile license to be with-held until outstanding fines are paid, clarify the act in regard to an effective date of July 1, 2007, in relation to benefits being paid, via Qualified Domestic Relation Orders (QDRO) to a former spouse upon the death of a member. Also discussed, was to extend the benefit to disability retired Police and Fire members, by amending the act that currently allows county property taxes to be frozen for individuals on social security disabilities. Mr. Smith told the Board that such Police and Fire disability Retirements may currently be included in the act, and suggested that Mr. Hensley, who is currently chairman of the Arkansas Fire and Police Pension Review Board (PRB), to involve the PRB in seeking an Arkansas Attorney General opinion to clarify the matter. Following discussion the matter was then tabled until April, to allow additional time for a draft of the various matters to be completed.

Mr. Peace reported on the lawsuit concerning past benefit increases, and said that interrogatories are expected to be returned within two (2) or three (3) days, that had previously been sent to the plaintiff's attorneys.

Mr. Peace told the Board that he had reviewed the Arkansas State Statute that provides Police Pension Funds with ten percent (10%) of fines and forfeitures. He explained that it currently excludes court cost, however thought an argument could possibly be structured that the term "fines" is broad enough to include probation fees. Mr. Peace concluded that the best approach in an attempt to capture a portion of probation fees, would probably be to amend the statute, and avoid a potential legal battle.

At the February meeting the Board discussed a need to obtain a comprehensive report detailing all probation fees, court costs, and civil penalties assessed by the Little Rock Court systems. At the current meeting, Mr. Scott Massanelli of the City of Little Rock Finance Department, Treasury Section provided a comprehensive report to the Board in regard to fines collected. During the calendar year of 2007 collected fines totaled \$5,787,000.00. Fines collected for disabled parking, illegal parking, no liability insurance, or proof of liability insurance are apparently remitted to other departments or agencies and do not go into the City of Little Rock General Fund; therefore, the Pension Fund does not receive ten percent (10%) of such fines. In addition, other revenues within the fine structure are

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remitted to the Pulaski County Jail and State Administration of Justice fund, and are also excluded from the above referenced ten percent (10%). After deducting the previously referenced remittals from the total amount of fines collected during 2007, a balance of \$3,450,000.00 remained, and was deposited into the City of Little Rock general fund. From that amount, the Police Pension Fund received \$300,450.00. Following a lengthy discussion, the Board asked Mr. Peace to review the matter, and determine specifically what remittals are provided for by Arkansas Statute. The matter was then tabled until April.

Mr. Moore had previously been asked to consider furnishing updated copies of the Arkansas Municipal Officer Handbooks to Board Members. At the current meeting he presented the handbooks to Board members. The handbooks will enable Board Members to easily access Arkansas State Statutes pertaining to Pension Board business.

Mr. Moore addressed the matter concerning dental insurance premium adjustments deductions, and said that twenty-two (22) Retired City Employees, including seven (7) retired police Employees had either overpaid or underpaid dental insurance premiums. He explained that all were given the option of paying the underpaid amount in a single payment or to have it deducted from their benefit checks, and that all with the exception of Mr. Harrod had already elected one of the two payment options.

Mr. Harrod told the Board that during the calendar year of 2007, personnel in the City of Little Rock Human Resource Department contacted him in regard to errors that had been made, which involved their failure to deduct enough dental insurance premiums from his benefit check, and also that of other retired City employees. He said at that time he had explained to the Human Resource Department contact that Mr. Moore had previously indicated during a Police Pension Board meeting that in cases involving errors made by city personnel, he (Mr. Moore) sometimes would not seek repayment from the affected City Employee, ***however Mr. Moore indicated that the statement was not accurate.*** Mr. Harrod said that he had asked the Human Resource Department contact at that time to again contact him after further checking into the matter, however he was not contacted until just recently when receiving an e-mail from Mr. Jim Bradshaw of the City Human Resource Department, asking him (Mr. Harrod) to repay approximately \$500.00, and the email also informed him that all of the other retired employees had repaid their entire amounts or were in the process of paying. He (Mr. Harrod) said that it seemed very odd to him, that after not having been contacted over a several month period, payment arrangements had already been made with all of the other retired City Employees. He said that he was now asking for Mr. Moore to have all of the city employees who had paid for the back insurance premiums resulting from errors made by City Employees to be reimbursed, and any remaining amounts not be collected.

Mr. Hensley said that he had three (3) specific concerns in regard to the matter. First, it seems the Police Pension Fund Administrative Office is effectively acting in a collection capacity without prior knowledge or approval of the Board. Second, when considering all of the involved circumstances, it seems beyond coincidental that Mr. Harrod who serves on the City of Little Rock Insurance Committee and Police Pension Board was last to be set up for payment of back insurance premiums. Third, consistency is important, and since Mr. Moore had recently voted to forgive an amount exceeding \$30,000.00 of Pension Fund money that had resulted from overpayment to Police Pension Members, because of errors made by City Personnel, he certainly should be consistent, and likewise forgive a lesser amount of city money that was not timely collected as a result of errors also made by City Personnel.

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Mr. Lowery reminded the Board that he did not previously vote to forgive the above referenced overpaid amount to Pension Members, however does believe that Mr. Moore should be consistent and likewise forgive the underpaid insurance premium amount for Police Pension Members.

Mr. Hensley made a motion to ask Mr. Moore to forgive any unpaid amount of the above referenced insurance premiums to Retired Police Pension Members, and to reimburse all amounts that have already been paid. Mr. Lowery seconded the motion.

During discussion, Mr. Moore said that health insurance for Retired City Employees is a benefit provided by the City of Little Rock, and that he had not been made aware of Retired City Employees being asked to repay the previously referenced arrearage insurance premiums. He explained however, that the City had already paid the vendor (insurance company), and he wanted time to consider the precedence being set. He also said that he was offended by the implication made without any evidence that a member of his staff had intentionally waited until last to collect from Mr. Harrod. He (Mr. Moore) also mentioned that the person (Mr. Harrod) who was making the request to forgive unpaid insurance premiums, previously voted against forgiving overpaid benefit amounts to Police Pension Members.

Mr. Hensley responded to the comment made by Mr. Moore of being offended, and said that he did not intend to offend any one, and was not implying anything, rather just stated the fact that odds of Mr. Harrod being unintentionally held until last for collection was only one (1) out of twenty-two (22), and given the other involved circumstances, everyone could then draw their own conclusions.

A vote was taken on the previous motion, and recorded as For: Mr. Hensley, Mr. Lowery, Mr. Furlow and Mr. Harrod, Abstained: Mr. Moore and Mrs. Lenahan. The motion carried.

Mrs. Lenahan submitted copies of the un-audited balance sheet report year-to-date through February 29, 2008. The report indicated that on February 29, 2008, the total account fund balance was approximately \$61,035,755.02, of which \$24,043,933.47 was allocated to DROP. The net loss year to date through February 29, 2008, was (\$3,955,273.66).

Also submitted were copies of the February 2008 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$3,208.78 for the month of February, and \$11,142.61 calendar year through February 29, 2008. There were no legal fee expenditures paid during the month of February 2008, but totaled \$5,678.50 year to date through February 29, 2008.

Following review of the February 2008 un-audited balance sheet report, and February 2008 expense and legal fee report, Mr. Hensley made a motion to approve the reports as submitted. Mr. Harrod seconded the motion and it passed unanimously.

Mr. Hensley reported concerning the actuarial analysis study from Benefit Partners Inc., and said that its completion, and a number of telephone conference calls have been postponed over recent months. He said that they have also been unresponsive to recent emails, therefore assumes that they no longer have an interest in completing the project, and reminded the Pension Administrative personnel not to pay for the uncompleted project.

Mrs. Lindsey distributed information for the upcoming National Conference on Public Employee Retirement Systems (NCPERS) educational conference to be conducted from May 16, 2008

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through May 22, 2008. Mr. Hensley asked Board Members to review the information and determine if they would be able to attend prior to the April meeting. The matter was tabled until April.

Mr. Hensley informed the Board that Mr. Donnie McHughes had recently contacted him, and submitted the following letter of resignation:

"Farris, I will not be able to attend the Pension Board meeting for March 13th because of a conflict with my new work schedule. My job at Arkansas Children's Hospital will make the attendance of future Board meetings difficult, and with much regret I will not seek re-election to my position with the Board in May of this year. I ask that you express my wishes to the members of this Board. My selection to the Board by election of Pension members is one of great honor and one I will always cherish. The three years that I have had the opportunity to serve has given me a greater respect for the long term Board Members, and the accomplishments that they have achieved over their many years of service. Every member of this Pension Plan can be assured their interest is being served by a Board with loyalty and integrity; a Board on which I was proud to serve".

It was later determined that the Board position currently held by Mr. McHughes does not conclude until May 2009; therefore, as provided in Arkansas Statute, it will be a responsibility of the Board to fill the vacancy for the remainder of the term at an upcoming meeting.

Mrs. Lindsey submitted copies of a nomination and election schedule for Trustee Board Position Number Two (2) currently held by Mr. Lowery, and Trustee Board Position Number Four (4) currently held by Mr. Furlow, which both conclude in May, 2008. Mr. Hensley made a motion to direct Pension Administrative Office Personnel to open the nomination process for the two above referenced Board Positions. Mr. Harrod seconded the motion and it passed unanimously.

During the February meeting, Mr. Hensley informed the Board that his administrative assistant, Mrs. Amber Johnson would be resigning due to other personal commitments, effective April 1, 2008. At the current meeting Mr. Hensley said that he had considered various options, and recommended hiring Mrs. Kathy Lindsey on a contract basis for the same amount of \$250.00 monthly that had previously been paid to Mrs. Johnson. Upon the request of Mr. Moore, the matter was tabled until April for further consideration.

Mr. Hensley made a motion to approve the retirement application of Mr. John Stafford effective April 11, 2008, in the monthly amount of \$2,178.05. Also, to remove Mr. Richard G. Walton who passed away on February 20, 2008, from the pension rolls, and to approve a \$6,500.00 death benefit. Mr. Furlow seconded the motion and it passed unanimously. The Board extended their condolences to the family of Mr. Walton.

Upon conclusion of Pension Board business, Mr. Hensley made a motion to adjourn the meeting. The motion was seconded by Mr. Lowery and passed unanimously. The meeting adjourned at approximately 11:45 a.m.

Respectfully submitted,

Farris Hensley, Secretary